

AJINOMOTO (MALAYSIA) BERHAD
(Company No. 4295-W)
(Incorporated in Malaysia)

Notes to the interim financial report for the period ended 30 September 2015

A EXPLANATORY NOTES

1 Basis of Preparation

These condensed consolidated interim financial reports, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies adopted for the interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 31 March 2015, except for the adoption of the following standards, amendments effective for the financial periods beginning on or after 1 July 2014 :

- Amendment to MFRS 2 : Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 3 : Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendment to MFRS 8 : Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 13 : Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- Amendment to MFRS 116 : Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 119 : Employee Benefits – Defined Benefit Plans : Employee Contributions
- Amendment to MFRS 124 : Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 138 : Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendment to MFRS 140 : Investment Property (Annual Improvements 2011-2013 Cycle)

The adoption of the above amendments and interpretation does not have significant impact on the Company's financial statements.

2 Seasonality or Cyclicity of Interim Operations

The results of the Company's operations are affected by festive seasons and economic cycles, whereas the manufacturing operations are affected by the scheduled maintenance shut-down.

3 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual or exceptional because of their nature, size or incidence during the financial period to date.

4 Material Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current interim period.

5 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period under review.

6 Dividends Paid

The Company did not pay any dividends in the current quarter.

7 Segmental Reporting

a. Business Segment:

The Company's business may be broadly categorized into two major segments - Umami Segment and Food & Seasoning Segment. Umami Segment consists of the manufacture and distribution of Monosodium Glutamate (MSG) and related products. The Food & Seasoning Segment consists of the manufacture and distribution of Industrial Seasonings, retail flavor seasoning ("TUMIX") and related seasonings. Other segment consists of products sold by the Company including trading goods such as industrial sweetener and frozen food as well as provision of services in relation to food industry.

	Umami Segment RM'000	Food & Seasoning Segment RM'000	Others RM'000	Total RM'000
3 months ended 30 Sep 2015				
Revenue from external customers	63,623	29,827	525	93,975
Operating profit	10,010	4,087	109	14,206
3 months ended 30 Sep 2014				
Revenue from external customers	61,654	26,218	588	88,460
Operating profit	7,913	1,080	171	9,164
6 months ended 30 Sep 2015				
Revenue from external customers	127,870	60,425	1,198	189,493
Operating profit	19,071	7,495	249	26,815
6 months ended 30 Sep 2014				
Revenue from external customers	120,453	53,132	1,061	174,646
Operating profit	15,642	3,412	517	19,571

b. Geographical Segment:

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Revenue	Malaysia RM'000	Middle East RM'000	Other Asian Countries RM'000	Others RM'000	Total RM'000
3 months ended 30 Sep 2015	57,869	13,770	21,311	1,025	93,975
3 months ended 30 Sep 2014	58,513	9,561	18,831	1,555	88,460
6 months ended 30 Sep 2015	118,645	25,241	43,746	1,861	189,493
6 months ended 30 Sep 2014	114,458	19,820	38,015	2,353	174,646

8 Material Events Subsequent to the Balance Sheet Date

There was no material event subsequent to the end of the quarter as at the date of this announcement that will affect the results of the financial period ended 30 September 2015.

9 Effects of Changes in the Composition of the Company

The Company has neither subsidiary nor associated company as at the end of the quarter under review and there were no changes in the composition during the current quarter under review.

10 Contingent Liabilities

As at the date of this report, there were no contingent liabilities which have become enforceable, or likely to become enforceable to the Company.

11 Capital Commitments

The amount of commitments for the purchase of plant and equipment not provided for in the interim financial statement as at 30 September 2015 is as follows:

	RM'000
Approved and contracted for	4,309
Approved but not contracted for	17,286
	21,595
	21,595

12 Related Party Transactions

Transactions related to the holding company, Ajinomoto Co., Inc. and its subsidiaries are as follows:

	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2014 RM'000
Commission income	(2)	(4)	(7)	(4)
Royalties payable	2,260	2,098	4,569	4,184
Sales	(19,012)	(16,134)	(39,137)	(33,660)
Purchases	37,689	37,835	71,466	73,027
Purchase of assets	143	214	274	214
Promotion expenses	89	-	89	32
IT shared services and maintenance	611	480	1,120	986
Other expenses	124	240	203	263
	124	240	203	263

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS

1 Review of Performance

Current Quarter vs Corresponding Quarter of last year

The Company recorded revenue of RM94.0 million in the current quarter compared to RM88.5 million in the corresponding quarter last year. Operating profit increased from RM9.2 million in the corresponding quarter last year to RM14.2 million in the current quarter mainly due to higher sales and better profitability by encouraging export sales.

Revenue in current quarter increased by 6.2% mainly due to stronger export sales in Umami segment and Food and Seasoning segment in addition to improved domestic sales.

2 Material Changes in the Quarterly Profit Before Taxation Compared to the Results of the Preceding Quarter.

Revenue in the current quarter of RM94.0 million was slightly lower than the RM95.5 million recorded in the immediate preceding quarter. Operating profit of RM14.2 million for the current quarter was better than the operating profit in the immediate preceding quarter of RM12.6 million mainly due to better profitability by export sales.

The revenue in Umami segment for the current quarter was lower by 1.0% compared to the revenue in the immediate preceding quarter due to rebound “AJI-NO-MOTO” consumer sales in domestic market during the immediate preceding quarter. Revenue from the Food & Seasoning segment decreased by 2.5% compared to the immediate preceding quarter due mainly to reduced industrial product sales delivery.

3 Commentary on Prospects

The business environment is expected to be challenging. The production cost is expected to be pressured by price increases from suppliers in the coming months. The Management will focus on implementing effective sales strategies and improving operational efficiency.

4 Variance of Actual Profit from Forecast Profit

Not applicable as the Company did not publish any profit forecast.

5 Taxation

Tax expense comprises the following: -

	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2014 RM'000
Malaysian income tax :				
Current year	4,082	2,804	7,464	5,622
Deferred tax :				
Current year	(14)	(136)	(20)	168
Under/(over)provision in respect of prior year	(14)	-	(14)	-
	<u>4,054</u>	<u>2,668</u>	<u>7,430</u>	<u>5,790</u>

The effective tax rate of the tax provision for the financial period under review is higher than the statutory tax rate due to certain tax disallowed expenses incurred by the Company.

6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of this report.

7 Borrowings and Debt Securities

As at the end of the period under review, the Company has no borrowings nor issued any debt securities.

8 Material Litigation

There were no material litigation as at 23 November 2015, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9 Dividend Payable

At the recently concluded 54th Annual General Meeting, the shareholders approved the payment of a first and final single-tier dividend of 20.0 sen per ordinary share amounting to RM12,159,707 in respect of the financial year ended 31 March 2015. The dividend was paid on 21 October 2015.

10 Earnings Per Share

Basic earnings per share are calculated based on the net profit attributable to ordinary shareholders and the number of ordinary shares in issue during the financial year by the company.

	3 months ended 30 Sep 2015	3 months ended 30 Sep 2014	6 months ended 30 Sep 2015	6 months ended 30 Sep 2014
Profit attributable to ordinary shareholders of the Company (RM'000)	12,382	7,620	22,679	15,845
Weighted average number of ordinary shares in issue ('000)	60,799	60,799	60,799	60,799
Earnings per share attributable to equity holders of the company (sen)				
-Basic	20.37	12.53	37.30	26.06

Diluted earnings per share is not applicable, as the Company does not have any convertible financial instrument as at the end of the current quarter under review.

11 Disclosure of Realised And Unrealised Profits/(Losses)

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The retained profits are analysed as follows:

	As at end of 30 Sep 2015 RM'000	As at end of 30 Sep 2014 RM'000
Realised	227,358	204,355
Unrealised	(1,685)	(3,090)
Total retained profits as per statement of financial position	225,673	201,265

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

12 Notes to the Condensed Statement of Comprehensive Income

Profit before tax is arrived at after charging/(crediting) the following items:

	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2014 RM'000
(a) Interest income	(1,027)	(831)	(1,895)	(1,596)
(b) Other income – rental	(195)	(195)	(389)	(389)
(c) Depreciation and amortization	2,847	2,620	5,622	5,195
(d) Write off of inventories	244	228	399	243
(e) Foreign exchange (gain)/loss – realised	298	(51)	437	158
(f) Foreign exchange (gain)/loss - unrealised	(1,776)	(347)	(2,068)	(532)
(g) (Gain)/loss on derivatives	433	330	547	369

By Order of the Board

Kuala Lumpur
25th November 2015

Chua Siew Chuan
Company Secretary